

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

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E.O. 11652: N/A

TAGS: EFIN, IMF, OECD, SZ

SUBJECT: SWITZERLAND AND THE INTERNATIONAL FINANCIAL INSTITUTIONS

1. FROM VARIETY OF SOURCES EMBASSY HAS GAINED IMPRESSION THAT SWISS CLEARLY MOVING TOWARD CLOSER ASSOCIATION WITH IMF AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS. GOS DEFINITELY PLANS PARTICIPATE IN PROPOSED OECD FINANCIAL SOLIDARITY FUND. WE BELIEVE SWITZERLAND MAY ALSO PARTICIPATE IN EXPANDED IMF OIL FACILITY AND SPECIAL ACCOUNT TO REDUCE MSA INTEREST BURDEN. LATTER WOULD, HOWEVER, ONLY BE ON CONDITION THAT SWITZERLAND OBTAINS OBSERVER STATUS IN IMF INTERIM COMMITTEE SIMILAR TO WHAT IT ALREADY HAS IN GROUP OF TEN AND DEVELOPMENT COMMITTEE. (WE UNDERSTAND SWISS NATIONAL BANK PRESIDENT LEUTWILER DISCUSSED THIS POINT WITH WITTEVEEN IN WASHINGTON.)

2. SWISS FINANCIAL PARTICIPATION WOULD APPARENTLY BE BASED ON OCTOBER 8, 1971 DECREE ON PROTECTION OF CURRENCY WHICH GIVES GOVERNMENT AND SNB EXTENSIVE POWER TAKE ACTION. THIS ALSO USED AS STATUTORY BASIS FOR RECENT REIMPOSITION CAPITAL CONTROLS INCLUDING 40 PERCENT PER
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YEAR CHARGE ON NEW NONRESIDENT SF ACCOUNTS.

3. WE DOUBT VERY MUCH WHETHER GOS WILL APPLY FOR FULL MEMBERSHIP IN IMF/IBRD IN NEAR FUTURE. REASONS INCLUDE DESIRE WAIT FOR AMENDMENT OF ARTICLES OF AGREEMENT; RELUCTANCE UNDERTAKE NEW OBLIGATIONS DURING TRANSITIONAL PERIOD IN INTERNATIONAL FINANCIAL RELATIONS; OPPOSITION AMONG SOME COMMERCIAL BANKERS; AND RECURRING CONCERN THAT IMF MEMBERSHIP MIGHT FORCE SF ASSUME MORE SIGNIFICANT ROLE IN INTERNATIONAL FINANCE. MOST ADVOCATES OF SWISS MEMBERSHIP IN IMF/IBRD READILY ACKNOWLEDGE THAT CLOSER ASSOCIATION WITH THESE INSTITUTIONS MAY SECURE MANY OF ADVANTAGES OF FULL MEMBERSHIP AND SUPPORT GREATER DEGREE OF INTERNATIONAL FINANCIAL INTERDEPENDENCE WHILE AVOIDING SOME POSSIBLE DISADVANTAGES. WE ALSO DOUBT THAT GOS WOULD SEEK FULL MEMBERSHIP UNLESS ASSURED OF ADEQUATE REPRESENTATION ON EXECUTIVE BOARDS OF TWO INSTITUTIONS, A PROSPECT WHICH NOW APPEARS UNLIKELY.

4. SWISS NATIONAL BANK WILL HAVE REP ON STAFF SWISS EMBASSY WASHINGTON FROM MAY 1975, ANOTHER INDICATION OF SWISS DESIRE ESTABLISH CLOSER TIES WITH IFIS AS WELL AS WITH USG.
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